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ABSTRACT

Technology is moving to integrate communications and information, making it possible to provide a wide variety of services, and the United States must strive to develop a unified national telecommunications policy if it is to keep up with these changes. The United States is only a small part of what is clearly and rapidly becoming a global telecommunications marketplace, and yet telecommunications policy in this country remains balkanized. One example of this is the cable/telephone company ownership issue, where a variety of governmental agencies and entities--such as the Federal Communications Commission, federal courts, and state regulatory agencies--exercise jurisdiction and formulate often conflicting policies. In place of this current policy structure, the United States needs a unified policy that encourages innovation and permits American companies to remain competitive in the international community. An important beginning step would be to undertake research which would assess the economic costs and benefits of current and future policies. By quantifying the impact of current policies, identifying options, and analyzing various trade-offs, this type of research could point the way towards the development of a new national policy for telecommunications. (EW)

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FRAMING FUTURE RESEARCH: THE POLICY-MAKER'S PERSPECTIVE

TELECOMMUNICATIONS POLICY RESEARCH

AIRLIE, VIRGINIA

NOVEMBER 1, 1988

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GRAY COLLINS

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FIVE YEAR OUTLOOK

THE EVOLUTION OF THE TELECOMMUNICATIONS NETWORK AND INTEGRATION OF INFORMATION SERVICES HAS BEEN GAINING MOMENTUM FOR SOME TIME NOW.

THE TREND OF BRINGING DIGITAL CAPABILITIES ALL THE WAY TO THE CUSTOMER HAS ALREADY BEGUN WITH THE USE OF THE INTEGRATED SERVICES DIGITAL NETWORK, OR ISDN.

COPPER CABLE IS LARGELY BEING REPLACED WITH FIBER WITHIN THE NETWORK, AND IT WILL BE DEPLOYED TO THE CUSTOMER'S PREMISES.

THE CHANGES WE'LL SEE IN FIVE YEARS IN THE TELECOMMUNICATIONS INFRASTRUCTURE WILL BE DUE PRIMARILY TO THIS ACCELERATION OF FIBER AND DIGITAL DEPLOYMENT, AND TO THE DEPLOYMENT OF THE COMMON CHANNEL SIGNALING NETWORK.

LET ME OUTLINE SOME SERVICES AND CAPABILITIES WHICH SHOULD EXIST IN FIVE YEARS.

- MULTIPLE USES OVER A SINGLE BROAD BAND SWITCHED FACILITY WILL BRING:

- ENTERTAINMENT
- BANKING
- INFORMATION - LIBRARY
- TRAVEL INFORMATION
- TELE-BANKING
- SECURITY
- HIGHER QUALITY DIGITAL TELEVISION
- ADVANCED 911

TECHNOLOGY IS MOVING TO INTEGRATE COMMUNICATIONS AND INFORMATION, MAKING IT POSSIBLE TO PROVIDE A WIDE VARIETY OF SERVICES. WILL THIS COUNTRY TAKE FULL ADVANTAGE OF THE TECHNOLOGY? I BELIEVE IF THIS COUNTRY IS TO REALIZE THIS POTENTIAL WE MUST DEVELOP A UNIFIED NATIONAL TELECOMMUNICATION PUBLIC POLICY.

THE PICTURE I PAINT FOR FIVE YEARS AHEAD APPEARS PROMISING. BUT IF WE DON'T CHANGE COURSE, THE STORY IN FIVE YEARS WILL BE ABOUT WHAT WE DON'T HAVE RATHER THAN WHAT WE DO HAVE, RELATIVE TO OTHER NATIONS.

FOREIGN PREPAREDNESS IN THE GLOBAL MARKETPLACE

THE UNITED STATES REPRESENTS ONLY A SMALL PART OF WHAT IS CLEARLY AND RAPIDLY BECOMING A GLOBAL TELECOMMUNICATIONS MARKETPLACE. WE MUST STOP THINKING OF OURSELVES AS A SELF-CONTAINED ISLAND WHEN WE DETERMINE THE RULES, REGULATIONS AND CONSTRAINTS PLACED ON THIS INDUSTRY.

THE EUROPEAN ECONOMIC COMMUNITY IS WELL ON ITS WAY TO TEARING DOWN BARRIERS TO TELECOMMUNICATIONS TRADE AMONG ITS TWELVE MEMBER-COUNTRIES. THEIR GOAL OF REMOVING TRADE BARRIERS BY 1992 SHOULD BE VIEWED AS A DATE WHEN THEIR NEW PROCEDURES WILL BE IN PLACE -- NOT A BEGINNING DATE. THEIR UNITY HAS ALREADY BEGUN.

AND WE'VE ALL HEARD THE STORIES OF TELECOMMUNICATIONS TECHNOLOGICAL ADVANCEMENT ELSEWHERE AROUND THE GLOBE.

WHILE THIS VERY IMPRESSIVE INNOVATION AND ADVANCEMENT IS PROLIFERATING AROUND THE GLOBE, WHAT ARE WE DOING HERE IN THE UNITED STATES?

WE'RE SPENDING A LOT OF VALUABLE TIME IN THIS COUNTRY ON NITS -- WHILE THE WORLD IS RUNNING AWAY FROM US.

BALKANIZED U.S. TELECOMMUNICATIONS PUBLIC POLICY

LET'S TAKE A LOOK AT THE ENVIRONMENT HERE IN THE UNITED STATES.

YOU'VE GOT SEVEN OF THE LARGEST COMPANIES IN THIS COUNTRY HAMSTRUNG BY NOT ONE SET OF RESTRICTIONS AND REGULATIONS, BUT CONFLICTING AND CONFUSING POLICY DIRECTIONS COMING FROM MANY DIFFERENT DIRECTIONS.

1) THE FCC IS MOVING TOWARD RELYING ON THE COMPETITIVE MARKETPLACE WHERE FEASIBLE.

2) SOME STATE COMMISSIONS ARE ALSO MOVING TOWARD RELAXED REGULATIONS. BUT THE STATE AND FEDERAL REGULATORY AGENCIES ARE SOMETIMES ON THE OPPOSITE ENDS OF POLICY POSITIONS AS EVIDENT BY SOME OF THE NARUC ACTIONS.

3) THEN THERE IS THE UNITED STATES DISTRICT COURT, JUDGE GREENE, THAT PRESIDES OVER THE AT&T CONSENT DECREE WITH THE DEPARTMENT OF JUSTICE. THIS IS AN ADDITIONAL LAYER OF REGULATION THAT HAS BEEN EXERCISING AN INCREDIBLE AMOUNT OF CONTROL OVER THE DIVESTED COMPANIES.

4) CONGRESS TOO HAS BECOME VERY INTERESTED IN TELECOMMUNICATIONS REGULATION, ESPECIALLY SINCE DIVESTITURE. HERE AGAIN, WE FIND DIVERSE MESSAGES -- BECAUSE THE CONGRESS OFTEN HAS A DIFFERENT PERSPECTIVE THAN THE FCC OR THE COURT.

5) THE EXECUTIVE BRANCH, THROUGH THE NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (NTIA), JUST RECENTLY RELEASED A REPORT CALLED "TELECOM 2000" THAT CALLS FOR RELAXED REGULATION OF THE PHONE COMPANIES, AND JUSTIFIES THAT POSTURE BY EXPLAINING THE NATION'S NEED TO BE INTERNATIONALLY COMPETITIVE. THE REPORT CALLS FOR, AMONG MANY OTHER THINGS, MAKING EXECUTIVE BRANCH INTERNATIONAL TELECOMMUNICATIONS POLICYMAKING MORE CENTRALIZED.

ONE EXAMPLE OF THIS COBWEB IS THE CABLE/TELEPHONE COMPANY OWNERSHIP ISSUE. LET'S REVIEW ORGANIZATIONS THAT HAVE JURISDICTION OVER THE CABLE ISSUES.

1) THE FCC HAS ON THE BOOKS AN OLD RULING THAT BANS TELEPHONE COMPANIES FROM OWNING AND PARTICIPATING WITH CABLE COMPANIES. THE FCC HAS RECENTLY PROPOSED TO REPEAL.

BUT! THERE IS ONLY SO MUCH CHANGE THE FCC CAN DO, BECAUSE THERE ARE OTHER CONSTRAINTS!

2) JUDGE GREENE PROHIBITS TELEPHONE COMPANIES FROM CONTROLLING CONTENT. SO EVEN IF THE FCC ACTED, JUDGE GREENE TOO WOULD HAVE TO AMEND OR LIFT HIS RESTRICTION. (APPEALS AND FIRST AMENDMENT RIGHTS)

3) AS IF THAT ISN'T ENOUGH, THE CONGRESS ENACTED ITS CABLE ACT OF 1984, WHICH ALSO MUST BE AMENDED IN ORDER TO ALLOW THE TELEPHONE COMPANIES TO COMPETE.

4) THE STATE PUBLIC SERVICE COMMISSIONS HAVE ALSO ASSERTED THEIR RIGHT OF FRANCHISE CONTROL OVER THE TELEPHONE COMPANIES, IF THEY ARE PERMITTED TO COMPETE IN CABLE. AS WELL AS RATES!

ONE CAN CLEARLY IMAGINE THE CONFUSION, THE FALSE STARTS, THE USELESS AND UNNECESSARY EXPENSES, AND THE TECHNOLOGICAL AND SERVICE DELAYS THAT ARE CAUSED BY THIS LACK OF CENTRALIZED POLICY MAKING.

IMAGINE HOW ANY GIVEN RESTRICTION CAN IMPACT R&D, INNOVATION, PLANNING, INVESTMENT DECISIONS, AND PRODUCTS. LET YOUR IMAGINATIONS TELL YOU HOW MANY ADVANCEMENTS ARE NEVER BROUGHT TO FRUITION DUE TO RESTRICTIONS SUCH AS THESE.

INTERNAL WARRING FACTIONS -- THE TYRANNY OF SMALL DECISIONS

WHILE WE ARE DEALING WITH THIS LACK OF UNIFIED PLANNING, CONFLICTING DIRECTIONS AND NO CLEAR POLICY, THIS COUNTRY IS ALSO CAUGHT IN A QUAGMIRE OF INFIGHTING.

THE LACK OF UNIFIED PUBLIC POLICY GOALS IS NOT ONLY CONFUSING AND RESTRICTIVE. IT ALSO PROMOTES A TYRANNY OF SMALL DECISIONS WHERE PRIVATE INDIVIDUAL ACTIONS ARE FIGHTING FOR NARROW GAINS WHICH, IN MY OPINION, ARE NOT IN THE NATION'S BEST INTERESTS.

U.S. NEEDS UNIFIED PUBLIC POLICY THAT ENCOURAGES INNOVATION

THE U.S. NEEDS A UNIFIED PUBLIC POLICY GOAL THAT ENCOURAGES INNOVATION.

I RECOGNIZE THERE ARE NON-TECHNOLOGICAL BARRIERS TO AMERICAN INVOLVEMENT IN INTERNATIONAL TRADE THAT CAN ONLY BE ADDRESSED BY OUR INTERNATIONAL OFFICES.

BUT, WHILE THESE TRADE BATTLES ARE BEING FOUGHT, ARE WE BUILDING AN INTERNATIONALLY COMPETITIVE NATIONAL INFRASTRUCTURE FOR THE FUTURE?

ARE WE ENCOURAGING ALL OF OUR CAPABLE, INNOVATIVE COMPANIES TO FORGE AHEAD?

DO WE STAND READY TO COMPETE -- ON QUALITY, TECHNOLOGY, SERVICE AND PRICE -- WHEN THE OPPORTUNITIES EXIST?

THERE ARE TWO SETS OF RESTRICTIONS FOR AMERICAN COMPANIES -- THOSE THAT SOME FOREIGN GOVERNMENTS SET, AND THOSE THAT WE BRING ON OURSELVES.

WE HAVE ENOUGH OF A CHALLENGE WADING THROUGH THE FOREIGN BARRIERS. WE DO NOT NEED TO FURTHER HAMSTRING OUR OWN PLAYERS.

THE U.S. NEEDS A FOCUSED, AGGRESSIVE NATIONAL PUBLIC POLICY GOAL THAT WILL ALLOW US TO REMAIN COMPETITIVE IN THE INTERNATIONAL COMMUNITY, FOR THE BETTERMENT NOT ONLY OF OUR INDUSTRY AND ITS CUSTOMERS, BUT FOR THE NATION AS A WHOLE.

PLEASE DON'T GET ME WRONG: REGULATIONS ARE NOT PER SE EVIL: BUT WE CAN AVOID CONFLICTING AND BURDENSOME ONES: THESE RESTRICTIONS ARE BASED, INCIDENTALLY, NOT ON THE ACTUAL COMMISSION OF HARMS, BUT LARGELY ON THE POSSIBILITY THAT HARMS MAY BE COMMITTED.

VISION FOR FUTURE

MY VISION FOR THE FUTURE -- AND THE FUTURE IS NOW -- IS A TELECOMMUNICATIONS COMMUNITY DEVOID OF ARTIFICIAL LEGAL AND REGULATORY RESTRAINTS.

CHALLENGE FOR THE AUDIENCE

AS YOU KNOW BETTER THAN I, GOOD RESEARCH DOES HAVE AN IMPACT AND STANDS THE TEST OF TIME. FOR EXAMPLE, IN THE 1960's, THE RESEARCH THAT WAS SPAWNED BY AVERCH AND JOHNSON IDENTIFIED SUBSTANTIAL CONCERNS ABOUT WHETHER RATE-BASE RATE OF RETURN REGULATION PROVIDED SUFFICIENT INCENTIVES FOR ECONOMIC EFFICIENCY AND TECHNOLOGICAL INNOVATION. TWENTY FIVE YEARS LATER, WE ARE NOW SEEING ALTERNATIVES TO RATE OF RETURN REGULATION BEING ADOPTED.

IN THE 1970's THERE WAS EXTENSIVE RESEARCH OF THE TRANSPORTATION AND ENERGY INDUSTRIES THAT DOCUMENTED HOW REGULATION RESULTED IN HIGHER PRICES TO THE CONSUMER AND PROTECTED THE STATUS QUO. THIS RESEARCH LED THE WAY FOR THE BOLD DEREGULATORY INITIATIVES IN THE TRANSPORTATION INDUSTRIES IN THE 1980's.

NOW AS WE LOOK TO WHAT IS EMERGING IN THE 1990's:

- TECHNOLOGY IS BLURRING DISTINCTIONS BETWEEN SERVICES AND JURISDICTIONAL BOUNDARIES.
- DISTINCTIONS BETWEEN USERS SUCH AS CUSTOMERS AND CARRIERS ARE BLURRING.
- PRICES ARE MOVING CLOSER TO ECONOMIC COSTS.
- SUBSIDIES ARE BEING MORE TARGETTED AND NEED TO BE EXTERNALLY FUNDED.
- NATIONAL ECONOMIC CONDITIONS ARE MORE DEPENDENT ON INFRASTRUCTURE (TELECOMMUNICATIONS, HIGHWAY) AND INTERNATIONAL FACTORS.

WHAT WE NEED IS AN ECONOMIC ASSESSMENT OF THE COSTS AND BENEFITS OF CONTINUING WITH THE CURRENT PROCESSES AND THEIR IMPACT ON SOCIETY AND THE NATION. BY QUANTIFYING WHAT THE IMPACTS ARE, IDENTIFYING OPTIONS, AND ANALYZING THE VARIOUS TRADE-OFFS, THIS TYPE OF RESEARCH COULD PROVIDE THE JOLT NEEDED TO FOCUS US ON THE DEVELOPMENT OF A UNIFIED NATIONAL TELECOMMUNICATIONS FRAMEWORK.

THIS TYPE OF RESEARCH COULD PROVIDE THE FOUNDATION AND URGENCY TO CAUSE ACADEMICIANS, REGULATORS, AND OTHER GOVERNMENT OFFICIALS AND INDUSTRY REPRESENTATIVES TO RECOGNIZE THAT IF THE U.S. IS GOING TO BE AN EFFECTIVE PARTICIPANT IN THE INTERNATIONAL MARKETPLACE THEN WE NEED TO COLLECT INDIVIDUAL OBJECTIVES, AND CREATE A NATIONAL AGENDA IN ONE YEAR.

THERE IS NO QUESTION IN MY MIND THAT THE STRENGTH OF OUR INFRASTRUCTURE AND THE STATURE OF OUR COMPETITIVENESS ABROAD IS ONE OF THE CRUCIAL ISSUES FOR NOW AND THE FUTURE.

WE NO LONGER NEED TO SPEND VALUABLE RESEARCH TIME AND RESOURCES ON TIRED ISSUES -- SUCH AS EQUAL ACCESS, ACCESS CHARGES, RATE-OF-RETURN REGULATION, COMPUTER INQUIRY.

MY CHALLENGE IS FOR YOU -- AND ME -- TO FOCUS OUR ENERGIES AND RESOURCES ON A MODEL FOR THE FUTURE WITH INCENTIVES TO DO WHAT IS RIGHT RATHER THAN RULES WHICH MIGHT PREVENT FUTURE MISBEHAVIOR.